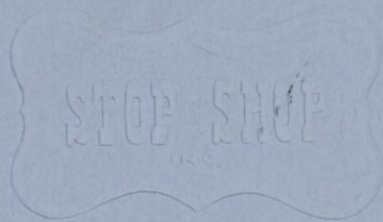


Twenty-Fifth
ANNUAL
REPORT
to Stockholders

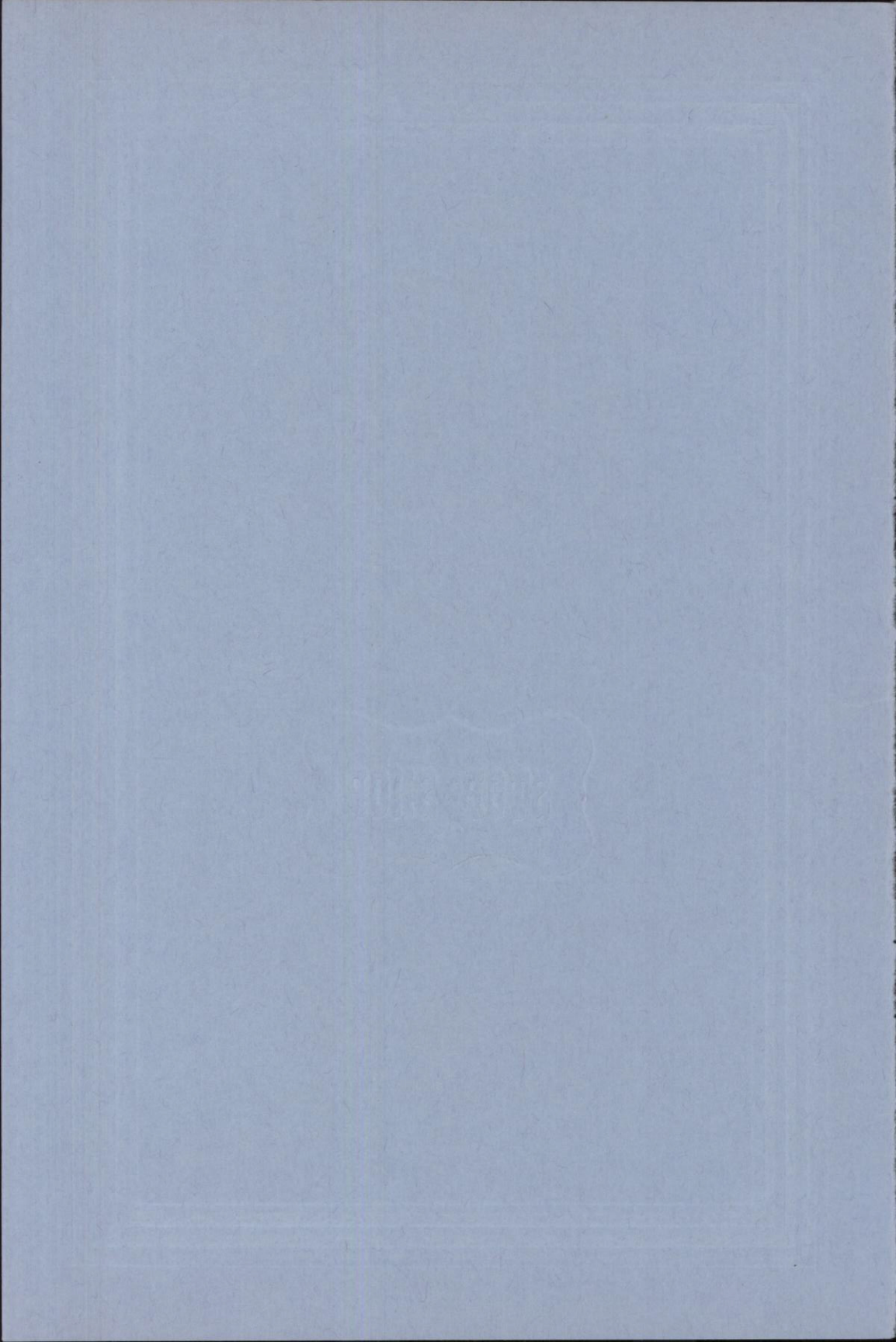
for Fiscal Year ending
July 1, 1950



STOP & SHOP, INC.

BOSTON, MASSACHUSETTS

True 36



STOP & SHOP, INC.

393 D STREET, BOSTON 10, MASS.

Officers

JOSEPH RABINOVITZ	<i>President</i>
SIDNEY R. RABB	<i>Chairman of the Board and Treasurer</i>
IRVING W. RABB	<i>Vice-President</i>
NORMAN S. RABB	<i>Vice-President</i>
JACOB RABINOVITZ	<i>Vice-President</i>
LLOYD D. TARLIN	<i>Assistant Treasurer</i>
MAX E. BERNKOPF	<i>Clerk</i>

Directors

WILLIAM APPLEBAUM	SIDNEY R. RABB
MAX E. BERNKOPF	JACOB RABINOVITZ
A. K. COHEN	JOSEPH RABINOVITZ
IRVING W. RABB	ARTHUR L. SHERIN
NORMAN S. RABB	LLOYD D. TARLIN

Transfer Agents

THE FIRST NATIONAL BANK
OF BOSTON

Registrars of Stock

THE NATIONAL SHAWMUT BANK
OF BOSTON

Trustee

UNDER BOND INDENTURE
OLD COLONY TRUST COMPANY
BOSTON

Auditors

MYRON HELLER & COMPANY
BOSTON

To the Stockholders of Stop & Shop, Inc.:

This annual report brings to you the results of our fiscal year which ended on July 1, 1950. Both earnings and average weekly sales were at the highest level in our history.

Sales for the 52-week fiscal year were \$50,039,306 as compared to \$50,227,183 for the 53 weeks in the last fiscal year, or a gain on the basis of average weekly sales of about 2%. Price levels averaged about 3% lower; hence our average weekly tonnage movement was about 5% ahead of last year.

The consolidated earnings of the company and its subsidiaries were \$874,278, or \$3.74 per share on the 234,000 shares outstanding, and approximately 1¾% on sales. Last year the consolidated earnings were \$758,044, or \$3.24 per share on the same number of shares and approximately 1½% on sales.

Dividends of \$1.00 per share were paid during the year compared with 75c per share last year. The regular quarterly rate is now 25c per share. Previously the quarterly rate had been 15c per share plus an annual extra.

The strides that have taken place in mass food merchandising methods as well as developments in operating techniques have required larger expenditures for capital items in our stores and warehouse. Our real estate companies have invested money in land and buildings, and our bakery affiliate has expanded its plant. During the year we spent approximately \$500,000 in fixtures and equipment in our stores and warehouse, and increased our net investment in our affiliated companies \$460,000. The accumulated capital expenditures have required a depreciation charge for this year of \$312,419. Our planned program for 1950-51 will require a continuation of investment at a high rate.

The Estimated Federal Tax for our consolidated companies for the year is \$550,567, or \$2.35 per share.

The net Working Capital of the companies at the end of the fiscal year was \$3,586,046, an increase of \$151,890 during the year.

During the year our real estate subsidiaries completed the construction of three new store buildings and permanent financing has been completed on them. Additional sites have been acquired for new stores and plans are being completed for immediate construction.

Four new stores were opened during the year and one store was closed. Modernization work has been completed at many locations and is planned for many more. In some stores the work was of major proportions; in others relatively minor. Additional service and self-service bakery departments were installed in existing locations as well as in the new locations. An addition to our South Boston warehouse was completed last fall. Other alterations were made in our warehouse layout to enable us to improve our capacity and efficiency of operation.

The production of our bakery manufacturing affiliate has continued to grow and some of its products are available now in almost all stores. Although the plant has been in operation since October 1948, production facilities are still not complete. During the present fiscal year, the planned plant facilities should be completed.

Commodity prices for the year averaged lower than a year ago; but the gap has closed in the last few months. The uncertainties of the international situation make it difficult to predict the course of prices in the future.

Management has continued to devote its efforts to improve the efficiency of our operations — a most essential and continuing task in this industry that operates on such a narrow margin and in such a competitive field.

The fine teamwork of our entire organization enables us to face the future with confidence that our work will be done well. Our individual employees' earnings are again at a higher level this year. The human side of our employee needs are well cared for in a liberal plan established five years ago, providing benefits on a contributory basis in the event of illness, death and retirement. Training programs have continued which not only enable employees to learn to do their work better and to advance to better positions, but also supply our organization with efficient personnel to enable us to make Stop & Shop "THE BEST PLACE TO WORK AND THE BEST PLACE TO TRADE."

We are preparing, as in the past, a special report on the year's accomplishments for our employees, and a copy of this report will be sent to you soon.

Respectfully submitted,

Joseph Rabinovitz

President.

STOP & S

Consolidated Balance

(Including wholly-owne

Assets

CURRENT ASSETS:

Cash on hand and in banks..... \$2,129,590.23

Accounts Receivable:

Due from trade debtors, including re-
charges to manufacturers, municipal
relief agencies, advances to employ-
ees' retirement funds and sundry
claims less reserve..... \$162,623.45

Due from employees..... 3,290.20 165,913.65

Interest receivable accrued..... 7,340.00

Inventories:

Physical inventories evaluated at average invoice
cost or lower than cost, reflecting market prices,
located in the company's warehouses, in storage,
in stores, in transit and on vendors' premises... 3,474,957.81

Total Current Assets..... \$ 5,777,801.69

Officers' life insurance at cash surrender value..... 114,288.87

INVESTMENTS OF S. S. REALTY CO., INC. (wholly- owned affiliate) AND ITS WHOLLY-OWNED AFFILIATES:

In real estate owned in fee simple at cost (See Note 1) 1,261,891.73

INVESTMENTS IN AN AFFILIATED CORPORA- TION (50% owned) at cost (See Note 2):

Capital stock..... \$ 126,000.00
Cash advances..... 500,000.00 626,000.00

FIXED ASSETS (at cost):

Land and buildings "D" Street Warehouse, South
Boston, Massachusetts owned in fee simple..... \$ 622,557.67
Other land and buildings..... 44,943.67
Stores equipment, fixtures, etc..... 2,489,333.82
Warehouse and office equipment, fixtures, etc..... 261,388.19
Automobiles and trucks..... 50,861.50

Total..... \$3,469,084.85

Less — Reserves for depreciation (See Note 4)..... 1,890,597.01 1,578,487.84

DEFERRED CHARGES TO OPERATIONS:

Unexpired insurance policy premiums at unearned
values..... \$ 56,689.06

Rehabilitation costs of store locations, etc., amortized
over the life of each individual lease..... 658,230.06

Construction, maintenance and store supplies..... 52,987.59

Unamortized expense on company debenture bonds. 1,596.04

Other deferred expenses..... 910.35 770,413.10

\$10,128,883.23

See page seven for notes re

HOP, INC.*Sheet . . . July 1, 1950*

and affiliated companies)

*Liabilities***CURRENT LIABILITIES:**

Accounts payable — trade creditors on open account	\$1,509,240.31
— employee contributions to various employee funds, etc.	4,399.75
Amortization payments on real estate mortgages of S. S. Realty Co., Inc. and its wholly-owned affiliates (maturing within one year)	126,891.04

Accrued Accounts:

Federal income taxes (estimated)	\$633,235.14
Less — U. S. Treasury Tax Anticipation Notes, Series "D" held	550,000.00
	\$ 83,235.14

Commonwealth of Massachusetts income, excise and other state and municipal taxes	148,682.28
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Social security and unemployment insurance — federal and state contributions	53,307.64
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Other accrued items including pay roll, rent and employee profit sharing	265,999.05	551,224.11
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Total Current Liabilities \$ 2,191,755.21

3½% SINKING FUND DEBENTURE BONDS due January 1, 1961 (See Note 3)	1,000,000.00
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Purchase money obligations of S. S. Realty Co., Inc. and its wholly-owned affiliates under mortgages on real estate to be amortized by monthly and quarterly payments for various periods not exceeding twenty years from dates of execution	159,703.03
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SURPLUS RESERVE:

Reserve for future inventory devaluation and relocation of plant facilities	200,000.00
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CAPITAL:

Authorized 300,000 shares of \$1.00 par value capital stock of which 240,000 shares are issued and outstanding	\$ 240,000.00
Less — Par value of 6,000 shares acquired for the treasury	6,000.00
	\$ 234,000.00

Capital Surplus	\$1,110,000.00
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Less — Premium on treasury stock reacquired	33,539.22	1,076,460.78
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Surplus	5,266,964.21	6,577,424.99
		<u>\$10,128,883.23</u>

ferred to in above statement

STOP & SHOP, INC.***Consolidated Profit and Loss Account***

(Including wholly-owned affiliated companies)

	<i>Fiscal Year Ended July 1, 1950</i>	<i>Fiscal Year (53 Weeks) Ended July 2, 1949</i>	<i>Increase</i>
SALES	\$50,039,306.32	\$50,227,183.53	*\$ 187,877.21
<i>Less</i> — Cost of sales and operations	48,552,659.62	48,877,457.04	* 324,797.42
	<u>\$ 1,486,646.70</u>	<u>\$ 1,349,726.49</u>	<u>\$ 136,920.21</u>
ADD OTHER INCOME:			
Cash discounts on purchases, interest income, etc.....	285,053.67	265,752.25	19,301.42
Profit before depreciation, interest and Federal income taxes.....	<u>\$ 1,771,700.37</u>	<u>\$ 1,615,478.74</u>	<u>\$ 156,221.63</u>
DEDUCT:			
Depreciation of buildings, equipment, trucks and automobiles..	\$ 312,419.25	\$ 308,892.08	\$ 3,527.17
Interest.....	34,435.39	32,581.28	1,854.11
<i>Total</i>	<u>\$ 346,854.64</u>	<u>\$ 341,473.36</u>	<u>\$ 5,381.28</u>
Net profit before Federal income taxes	\$ 1,424,845.73	\$ 1,274,005.38	\$ 150,840.35
<i>Less</i> — Federal income taxes (estimated)	550,567.56	515,960.58	34,606.98
NET PROFIT TO SURPLUS.....	<u>\$ 874,278.17</u>	<u>\$ 758,044.80</u>	<u>\$ 116,233.37</u>

*Decrease

Consolidated Surplus Account**Fiscal Year Ended July 1, 1950**

BALANCE, July 2, 1949	\$4,626,686.04
<i>Add</i> —Net profit for the fiscal year ended July 1, 1950.....	<u>874,278.17</u>
	\$5,500,964.21
<i>Deduct:</i>	
Cash dividends paid — \$1.00 a share on 240,000 shares outstanding	\$240,000.00
<i>Less</i> — Dividends on capital shares held in treasury.....	<u>6,000.00</u>
	234,000.00
BALANCE, July 1, 1950	<u>\$5,266,964.21</u>

STOP & SHOP, INC.

Notes Relating to Financial Statements *July 1, 1950*

- NOTE 1. Cost of land and buildings of various acquired locations. . . . \$3,463,769.28
Less — Accrued depreciation of buildings. 182,058.89
\$3,281,710.39
- Deduct* — Mortgages on this property for money advanced for construction (these mortgages are not assumed by either the parent or its affiliated companies). \$2,127,277.80
- Less* — Principal payments due for the ensuing year included in Current Liabilities 107,459.14 2,019,818.66
- Balance representing the companies' equity subject to mortgages in the aggregate sum of \$179,134.93 shown as a liability in the Balance Sheet. \$1,261,891.73
- NOTE 2. The authorized capital stock of this corporation consists of 1,250 shares of 3% cumulative Preferred with a par value of \$100.00 which is redeemable at par and has no voting power, all of which stock has been issued to Stop & Shop, Inc. for cash at par. \$ 125,000.00
and 5,000 shares of Common with no par value, having sole voting power, 200 shares of which have been issued for \$2,000.00 of which 100 shares were issued to Stop & Shop, Inc. for 1,000.00
\$ 126,000.00
- Total Cost*. \$ 126,000.00
- This company on July 1, 1950 had an operating deficit of \$ 33,093.05
- NOTE 3. The Indenture with respect to the 3½% Sinking Fund Coupon Debentures due January 1, 1961 prescribes the redemption of these Debentures through the operation of a Sinking Fund created by the payment in cash of a sum sufficient to redeem \$100,000.00 principal including unpaid interest on or before December 31, 1951 and a similar amount on or before December 31st of each year thereafter to and including December 31, 1959.
- The Indenture also contains restrictive provisions on the payment of dividends on its capital stock. At July 1, 1950 approximately \$3,150,000.00 of the Earned Surplus was free of dividend restrictions.
- Effective September 26, 1949 the Indenture was modified permitting more favorable restrictive terms and the interest rate was raised from 3¼% to 3½%.
- NOTE 4. Equipment that had been fully depreciated and substantially abandoned amounting to \$224,104.78 at stores and \$285,796.92 at the warehouse was charged against its respective reserves for depreciation and eliminated from its asset value.

Accountants' Certificate

We have made an examination of the books and accounts of Stop & Shop, Inc., including its wholly-owned affiliate, S. S. Realty Co., Inc., and the wholly-owned affiliates of the latter for the fiscal year ended July 1, 1950. In accordance with generally accepted auditing standards applicable in the circumstances, omitting no procedure inherent therein, this examination consisted of a detailed audit of such transactions that we believed to be important, that were effected during the fiscal year above stated, but did not include a detailed audit of all transactions. We have verified by outside confirmation such of the balance sheet items we deemed appropriate and necessary; and we are of the opinion, by reason of our familiarity with the controls and accounting records of the companies, and having applied necessary auditing procedures, that those items not verified in this way are correctly stated.

In our opinion, based upon such examination, the attached financial statements and their relative notes attached hereto fairly present, in accordance with generally accepted principles of accounting applied on a basis consistent with previous years, the financial position of the companies at July 1, 1950 and earnings for the fiscal year ended with that date.

MYRON HELLER & COMPANY

Certified Public Accountants

By: MYRON HELLER, C. P. A.

Boston, Massachusetts

August 15, 1950

